Icelandic Group hf.

Condensed Consolidated Interim Financial Statements 1 January - 30 June 2011 in Euro

Icelandic Group hf.
Borgartún 27
105 Reykjavík

Reg. no. 461296-2119

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the Board of Directors 3

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Endorsement and Statement by the Board of Directors

The condensed consolidated interim financial statements of Icelandic Group hf. for the period from 1 January to 30 June 2011 have been prepared in accordance with International Financial Reporting Standards (IFRSs) for Interim Financial Statements (IAS 34). The interim financial statements comprise the consolidated interim financial statements of Icelandic Group hf. and its subsidiaries.

According to the statement of comprehensive income, loss for the period from 1 January to 30 June 2011 amounted to € 30.2 million. The Group's income from continuing operations amounted to € 262.4 million for the period. According to the statement of financial position total assets at the end of June amounted to € 435.4 million and equity amounted to € 118.1 million. The equity ratio of the Group was 27.1%.

Restructuring of the Group

In the first half of the year the Company's Board of Directors decided to restructure its operation. In June, the Company reached agreements on the sale of subsidiaries in Germany and France. The sale was concluded at the end of August. Estimated loss on the sale is expensed in the interim financial statements. The Company has been working on the sale of subsidiaries in the US and China and estimates to finalize that work before the end of the year. The Company expects to gain profit on the sale in the US and China, which will be recognised upon finalizing of the sale. The Company's operation in Germany, France, China and the US is classified as discontinued operation and recognised as a specific item in the income statement in addition to comparative figures for the year 2010. Note no. 2 includes information on income, expenses and estimated loss on discontinued operation. Furthermore, assets of these companies after deducting impairment losses are recognised as a specific item in the statement of financial position, in addition to liabilities related to the assets. Comparative figures in the statement of financial position have not been adjusted as the decision of restructuring the operation was not made until in the year 2011.

Statement by the Board of Directors

The condensed consolidated interim financial statements for the six-month period ended 30 June 2011 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional Icelandic disclosure requirements for consolidated financial statements of listed companies.

According to our best knowledge it is our opinion that the condensed consolidated interim financial statements give a true and fair view of the consolidated financial performance of the Company for the six-month period ended 30 June 2011, its assets, liabilities and consolidated financial position as at 30 June 2011 and its consolidated cash flows for the six-month period ended 30 June 2011.

Further, in our opinion the consolidated financial statements and the endorsement of the Board of Directors give a fair view of the development and performance of the Group's operations and its position and describes the principal risks and uncertainties faced by the Group.

The Board of Directors have today discussed the condensed consolidated interim financial statements of Icelandic Group hf. for the six-month period ended 30 June 2011 and confirm them by means of their signatures.

Reykjavík, 4 October 2011.

Board:

Independent Auditor´s Review Report

The Board of Directors of Icelandic Group hf.

We have reviewed the accompanying condensed consolidated statement of financial position of Icelandic Group hf. as of 30 June 2011 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 *Interim Financial Reporting.* Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity.* A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting.*

Reykjavík, 4 October 2011.

KPMG ehf.

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2011

	Notes	Q 2 1 April - 30 June 2011	 2010 *	Q 1 - 2 1 January - 30 June 2011	 2010 *
Continuing operations					
Sales	3	133.392	141.398	262.395	266.805
Cost of goods sold		(123.187)	(128.461)	(240.808)	(237.898)
Gross profit		10.205	12.937	21.587	28.907
Other operating income	4	0	2	22	2
Operating expenses		(10.707)	(10.458)	(21.541)	(20.968)
Share of profit of equity accounted investees, net of income tax		0	12	1	35
Operating (loss) profit		(502)	2.493	69	7.976
Finance income		729	159	1.050	241
Finance costs		(1.114)	(1.287)	(2.219)	(2.126)
Net finance costs	5	(385)	(1.128)	(1.169)	(1.885)
(Loss) profit before income tax		(887)	1.365	(1.100)	6.091
Income tax	6	(97)	211	(258)	44
(Loss) profit from continuing operations		(984)	1.576	(1.358)	6.135
Discontinued operation					
(Loss) profit from discontinued operation, net of income tax	2	(30.649)	(364)	(28.838)	2.301
(Loss) profit for the period		**(31.633)**	**1.212**	**(30.196)**	**8.436**
Other Comprehensive Income					
Foreign currency translation differences for foreign operation		(2.623)	11.382	(8.595)	15.844
Cash flow hedge		0	(1.128)	0	(1.128)
Income tax relating to cash flow hedge		0	260	0	260
Other comprehensive (loss) income for the period		**(2.623)**	**10.514**	**(8.595)**	**14.976**
Total comprehensive (loss) income for the period		**(34.256)**	**11.726**	**(38.791)**	**23.412**

* Comparative amounts have been represented to show the discontinued operations separately from continuing operations.

All amounts are in thousands of euro

Consolidated Statement of Comprehensive Income (Continued)

	Notes	Q 2 1 April - 30 June 2011	 2010 *	Q 1 - 2 1 January - 30 June 2011	 2010 *
(Loss) profit for the period attributable to:					
Equity holders of the Company		(31.631)	1.314	(30.085)	8.710
Non-controlling interest		(2)	(102)	(111)	(274)
(Loss) profit for the period		**(31.633)**	**1.212**	**(30.196)**	**8.436**
Total comprehensive (loss) income attributable to:					
Equity holders of the Company		(34.250)	11.598	(38.542)	23.287
Non-controlling interest		(6)	128	(249)	125
Total comprehensive income for the period		**(34.256)**	**11.726**	**(38.791)**	**23.412**
(Loss) earnings per share:					
Basic and diluted (loss) earnings per share (each share is 1 Icelandic króna)		(0,0113)	0,0005	(0,0108)	0,0031
(Loss) earnings per share - continuing operations:					
Basic and diluted earnings per share - continuing operations (each share is 1 Icelandic króna)		(0,0004)	0,0006	(0,0005)	0,0022

* Comparative amounts have been represented to show the discontinued operations separately from continuing operations.

All amounts are in thousands of euro

Consolidated Statement of Financial Position
as at 30 June 2011

	Notes	30.6.2011	31.12.2010
Assets:			
Property, plant and equipment		32.325	103.947
Intangible assets		44.113	64.864
Other investments		1.669	1.400
Deferred tax assets		924	3.710
Total non-current assets		79.031	173.921
Inventories		68.237	168.029
Trade and other receivables		55.631	111.393
Cash and cash equivalents		15.126	26.084
Assets classified as held for sale	2	217.351	0
Total current assets		356.345	305.506
Total assets		435.376	479.427
Equity:			
Share capital		16.733	16.733
Share premium		141.095	141.095
Reserves (deficit)	7	(23.437)	(14.980)
(Accumulated deficit) retained earnings		(18.354)	11.731
Total equity attributable to equity holders of the company		116.037	154.579
Non-controlling interest		2.108	2.357
Total equity		118.145	156.936
Liabilities:			
Loans and borrowings	8	38.611	101.663
Deferred income tax liability		2.533	8.321
Total non-current liabilities		41.144	109.984
Loans and borrowings	8	52.982	110.224
Trade and other payables		63.694	102.283
Liabilities classified as held for sale	2	159.411	0
Total current liabilities		276.087	212.507
Total liabilities		317.231	322.491
Total equity and liabilities		435.376	479.427

All amounts are in thousands of euro

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2011

	Share capital	Share premium	Reserves (deficit)	Retained earnings (accumulated deficit)	Non-controlling interest	Total equity
Changes in equity for six months ended 30 June 2010						
Equity as at 1.1.2010	16.733	141.095	(23.022)	5.634	2.087	142.527
Total comprehensive income for the period			14.577	8.710	125	23.412
Equity as at 30.6.2010	16.733	141.095	(8.445)	14.344	2.212	165.939
Changes in equity for six months ended 30 June 2011						
Equity as at 1.1.2011	16.733	141.095	(14.980)	11.731	2.357	156.936
Total comprehensive income for the period			(8.457)	(30.085)	(249)	(38.791)
Equity as at 30.6.2011	16.733	141.095	(23.437)	(18.354)	2.108	118.145

All amounts are in thousands of euro

Consolidated Statement of Cash Flows

for the six months ended 30 June 2011

	Notes	Q 1 - 2 1 January - 30 June 2011	2010
Cash flows from operating activities:			
Operating profit (continuing and discontinued operation)		6.531	17.936
Difference between operating profit and cash from operations:			
Net gain on sale of assets		(22)	(637)
Depreciation and amortisation		8.363	7.993
Share of profit of equity accounted investees		(1)	(35)
Change in operating assets and liabilities		6.315	9.751
Cash generated from operations		21.186	35.008
Interest income received		189	352
Interest and finance costs paid		(3.279)	(5.220)
Income tax paid		(1.447)	(1.426)
Net cash generated from operating activities		16.649	28.714
Cash flows from investing activities:			
Investment in property, plant and equipment		(7.573)	(8.462)
Proceeds from sale of property, plant and equipment		144	433
Investment in intangible assets		(1.782)	(220)
(Increase) decrease in bonds and other receivables		(33)	171
Net cash used in investing activities		(9.244)	(8.078)
Cash flows from financing activities:			
Long-term debt proceeds		299	1.027
Long-term debt repaid		(4.694)	(5.411)
Short-term debt, change		(972)	(11.660)
Net cash used in financing activities		(5.367)	(16.044)
Increase in cash and cash equivalents		2.038	4.592
Effect of exchange rate fluctuations of cash held		(857)	2.205
Cash and cash equivalents at 1 January		26.084	25.250
Cash and cash equivalents at 30 June		27.265	32.047
Cash classified as held for sale	2	(12.139)	0
Cash and cash equivalents at 30 June		15.126	32.047

All amounts are in thousands of euro

Notes

Significant accounting policies

a. ***Reporting entity***

Icelandic Group hf. is a company domiciled in Borgartún 27, Reykjavík, Iceland. The condensed consolidated interim financial statements of the Company as at and for the six-month period ended 30 June 2011 comprise the Company and its subsidiaries, together referred to as the "Group" and the Group's interest in associates. The Group is involved in manufacturing and marketing of seafood in international markets.

b. ***Statement of compliance***

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting. They do not include all of the information required for a complete set of consolidated annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2010.

The Consolidated interim financial statements were approved by the Board of Directors on 4 October 2011.

c. ***Basis of preparation***

The accounting policies and methods of computation applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2010.

The condensed consolidated interim financial statements are prepared in euro, which is the Company's functional currency. All financial information presented in euro has been rounded to the nearest thousand, unless otherwise stated.

d. ***Use of estimates and judgements***

The preparation of condensed consolidated interim financial statements in conformity with IFRSs requires managment to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Segment Reporting

1. Summary of the Group's segments results.

Business segments

1 January to 30 June 2011

Income Statement:	Production	Sales and marketing	Holding and servicing	Discontinued operation	Eliminations	Consolidated
Sales to external customers	134.235	128.128	32	253.760	0	516.155
Inter-segment sales	1.791	23.875	1.374	41.745	(68.785)	0
Total segment sales	136.026	152.003	1.406	253.760	(68.785)	516.155
Segment results	3.619	(3.354)	(196)	6.462	0	6.531
Net finance costs	31	(1.896)	696	(32.814)	0	(33.983)
Profit (loss) before income tax ..	3.650	(5.250)	500	(26.352)	0	(27.452)
Income tax	(1.069)	551	260	(2.486)	0	(2.744)
Profit (loss) for the period	2.581	(4.699)	760	(28.838)	0	(30.196)

1 January to 30 June 2010

Income Statement:	Production	Sales and marketing	Holding and servicing	Discontinued operation	Eliminations	Consolidated
Sales to external customers	133.991	132.780	34	243.158	0	509.963
Inter-segment sales	2.014	40.495	1.390	31.768	(75.667)	0
Total segment sales	136.005	173.275	1.424	274.926	(75.667)	509.963
Segment results	5.366	2.788	(178)	9.960	0	17.936
Net finance costs	(626)	(1.261)	2	(3.020)	0	(4.905)
Profit (loss) before income tax ..	4.740	1.527	(176)	6.940	0	13.031
Income tax	(44)	(16)	104	(4.639)	0	(4.595)
Profit (loss) for the period	4.696	1.511	(72)	2.301	0	8.436

All amounts are in thousands of euro

Discontinued operation

2. In June 2011 the Group sold its subsidiaries in Germany and France. The sale was concluded at the end of August. Estimated loss on the sale is expensed in the interim financial statements. Part of the Company's operations in China is in the process of being sold and estimated loss on the sale amounts to € 1,7 million. The Company has been working on the sale of subsidiaries in the US and China and estimates to finalize that work before the end of the year. The Company expects to gain profit on the sale in the US, which will be recognised upon finalizing of the sale. The Company's operation in Germany, France, China and the US is classified as discontinued operation and recognised as a specific item in the income statement in addition to comparative figures for the year 2010.

Results of discontinued operation	1 January - 30 June 2011	2010
Sales	253.760	243.158
Cost of goods sold	(216.791)	(204.602)
Gross profit	36.969	38.556
Other operating income	0	1.064
Operating expenses	(30.507)	(29.660)
Operating profit	6.462	9.960
Finance income	155	168
Finance costs	(3.383)	(3.188)
Net finance costs	(3.228)	(3.020)
Profit before income tax	3.234	6.940
Income tax	(2.486)	(4.639)
Profit from discontinued operation	748	2.301
Loss on sale of discontinued operation	(29.586)	0
(Loss) profit from discontinued operation, net of income tax	(28.838)	2.301
Basic (and diluted) earnings per share	(0,010)	0,001
Cash flows from discontinued operation		
Net cash generated from operating activities	20.633	27.754
Net cash used in investing activities	(9.879)	(2.081)
Net cash used in financing activities	(6.409)	(15.452)
Effect on cash flows	4.345	10.221

Effect of disposal on the financial position of the Group	30.6.2011
Property, plant and equipment	68.390
Intangible assets	18.746
Other investments	415
Deferred tax assets	2.579
Inventories	88.242
Trade and other receivables	56.426
Cash and cash equivalents	12.139
Impairment losses on assets	(29.586)
Loans and borrowings	(55.777)
Deferred income tax liability	(5.002)
Loans and borrowings	(50.939)
Trade and other payables	(47.693)
Net assets and liabilities	57.940

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Sales

3. Sales is specified as follows:

	2011 Q1 - 2	2010 Q1 - 2
Sales	262.159	266.544
Commission	236	261
Sales, total	262.395	266.805

Other income

4. Other operating income is specified as follows:

	2011 Q1 - 2	2010 Q1 - 2
Gain on sale of assets	22	2
Other operating income, total	22	2

Net finance costs

5. Net finance costs are specified as follows:

	2011 Q1 - 2	2010 Q1 - 2
Interest income	134	217
Dividend income	0	24
Fair value changes on shares in other companies	691	0
Currency gain	225	0
Finance income, total	1.050	241
Interest expenses	(2.219)	(1.755)
Net currency loss	0	(371)
Finance costs total	(2.219)	(2.126)
Net finance costs	(1.169)	(1.885)

Income tax

6. The main reason for fluctuations in effective income tax rates in the statement of comprehensive income is explained by different geographical composition of profit or loss before taxes in individual companies and periods and tax assets that are not capitalized.

Equity

Reserves

7. Reserves are specified as follows:

	30.6.2011	31.12.2010
Translation reserve	(22.652)	(14.195)
Hedging reserve	(785)	(785)
Reserves total	(23.437)	(14.980)

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Loans and borrowings

8. Loans and borrowings are specified as follows:

30.6.2011

Currency	Non-current borrowings	Current borrowings	Total
EUR	4.569	20.498	25.067
GBP	37.279	4.272	41.551
JPY	877	20.458	21.335
ISK	1.252	0	1.252
NOK	0	2.372	2.372
CHF	16	0	16
Loans and borrowings, total	43.993	47.600	91.593
Current maturities of non-current liabilities	(5.382)	5.382	0
Loans and borrowings according to the statement of financial position	38.611	52.982	91.593

31.12.2010

	Non-current borrowings	Current borrowings	Total
EUR	73.279	22.806	96.085
GBP	40.997	4.813	45.810
USD	7.641	23.559	31.200
JPY	938	25.557	26.495
CNY	0	7.366	7.366
ISK	2.558	0	2.558
NOK	0	2.356	2.356
CHF	17	0	17
Loans and borrowings, total	125.430	86.457	211.887
Current maturities of non-current liabilities	(23.767)	23.767	0
Loans and borrowings according to the statement of financial position	101.663	110.224	211.887

Financial Ratios

9. Financial ratios for the consolidated interim financial statements:

	30.6.2011	31.12.2010
Current ratio	1,29	1,44
Equity ratio	27,1%	32,7%
Return on equity	(22,4%)	3,9%
Internal value	7,06	9,38

	2011 Q1 - 2	2010 Q1 - 2
EBITDA (continuing operations excluding transactions with discontinued operations)	3.420	10.890
EBITDA ratio (continuing operations excluding transactions with discontinued operations)	1,3%	4,1%

Subsequent events

10. The sale of the Company's subsidiaries in Germany and France was finalized at the end of August and they were delivered to new owners. Final settlement of the sale will take place in the last quarter of the year. The actual loss on the sale has not been determined but estimated loss in the amount of € 27.9 million is expensed among discontinued operation. Part of the Company's operations in China is in the process of being sold and estimated loss on the sale amounts to € 1.7 million. The Company is working on the sale of subsidiaries in the US. The transactions are estimated to be finalized before the end of the year and estimated profit on the sale will be recognised at that point.

All amounts are in thousands of euro